

FISCAL IMPACT STATEMENT ON BILL NO. **H.3152**

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TO:	The Honorable Daniel T. “Dan” Cooper, Chairperson, House Ways and Means Committee		
FROM:	Office of State Budget, Budget and Control Board		
ANALYSTS:	Torina Wood		
DATE:	March 20, 2007	SBD:	2007198

AUTHOR:	Representative Agnew	PRIMARY CODE CITE:	44-6-1400
SUBJECT:	Small Business Health Insurance Premium Assistance Act		

ESTIMATED FISCAL IMPACT ON GENERAL FUND EXPENDITURES:

\$0 (No additional expenditures or savings are expected)

ESTIMATED FISCAL IMPACT ON FEDERAL & OTHER FUND EXPENDITURES:

See Below

BILL SUMMARY:

House Bill 3512 enacts the “Small Business Health Insurance Premium Assistance Act”. The program would be established within the Department of Health and Human Services (DHHS) for the purpose of providing health insurance premium assistance to small businesses for all employees and spouses whose incomes are at or under 200% of the federal poverty level. The Bill would require DHHS to place a cap on the number of employees who may enroll in the program to ensure that no more funds are expended than available in the Medicaid Matching Fund. The Bill also mandates coverage for children eighteen and under whose family income does not exceed 200% of the federal poverty level.

EXPLANATION OF IMPACT:

The Board of Economic Advisors estimates additional cigarette tax revenue upon enactment at \$113,740,000 (excluding interest earnings). Of that amount \$3 million would be allocated to the Department of Health and Environmental Control; \$2 million would be allocated to the Department of Agriculture and the balance of \$108,740,000 would be allocated to the Department of Health and Human Services (DHHS) for implementation of the Small Business Health Insurance Premium Assistance Program and for expansion of the Children’s Health Insurance Program (CHIPs). Cost estimates associated with implementation and expansion of these programs at DHHS is summarized below.

Section 44-6-1420 – Medicaid Expansion to Children whose Family Income is under 200% FPL

DHHS estimates expansion of the Children’s Health Insurance Program (CHIPs) to children whose family incomes do not exceed 200% of the federal poverty level would result in an additional 78,892 Medicaid eligible recipients. Based on this estimate, total additional cost to that program would be \$110,243,176 (including administration). Of that amount \$23,942,649 of cigarette tax revenue would be needed for state matching funds which would generate \$86,300,527 in federal funds. The CHIPs program has a match rate of approximately 80% federal / 20% state match. Program administration costs are estimated at \$1,530,000 with a match rate of 50% federal / 50% state match.

Section 44-6-1410 – Small Business Health Insurance Premium Assistance Program

DHHS estimates that approximately 137,064 employees could be covered under the Small Business Health Insurance Premium Assistance Program with \$79,282,549 of cigarette tax revenue alone being used as state matching funds. Federal funds could be estimated at \$181 million. Employer (25%) and employee (15%) contribution revenue is estimated at \$173.5 million assuming 40% of premiums costs are covered from these sources. It should be noted that employer/employee contribution funds cannot be used for Medicaid match.

Total administration costs for the program are estimated at \$11 million. The Medicaid program has a match rate of approximately 70% federal / 30% state match. Cost estimates are summarized below.

<u>H.3512 Impact Summary</u>			
<u>Children's Health Insurance Program</u>	<u>Administration</u>	<u>Program</u>	<u>Total</u>
Cigarette Tax	765,000	23,177,649	23,942,649
Federal Funds	765,000	85,535,527	86,300,527
Subtotal	<u>\$1,530,000</u>	<u>\$108,713,176</u>	<u>\$110,243,176</u>
<u>Small Business Premium Assistance</u>			
Cigarette Tax	5,514,802	79,282,549	84,797,351
Federal Funds	5,514,802	181,001,591	186,516,393
Employer / Employee Contribution	0	173,522,760	173,522,760
Subtotal	<u>\$11,029,604</u>	<u>\$433,806,900</u>	<u>\$444,836,504</u>
<u>Total H.3512</u>			
Cigarette Tax	6,279,802	102,460,198	108,740,000
Federal Funds	6,279,802	266,537,118	272,816,920
Employer / Employee Contribution	0	173,522,760	173,522,760
Grand Total	<u>\$12,559,604</u>	<u>\$542,520,076</u>	<u>\$555,079,680</u>

SPECIAL NOTES:

As noted in the Bill DHHS would have to apply for and obtain a waiver to generate federal funds for implementation. The Board of Economic Advisors is the appropriate entity to address the revenue impact associated with this or any other Bill.



Approved by:
Harry Bell
Assistant Director, Office of State Budget